CA, INC.
Form 10-K
May 23, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ü **Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended March 31, 2008**

OR

__ **Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 1-9247

CA, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-2857434**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
One CA Plaza, **Islandia, New York**	**11749**
(Address of Principal Executive Offices)	(Zip Code)

1-800-225-5224

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Each Exchange on Which Registered)
Common stock, par value $0.10 per share	**The NASDAQ Stock Market LLC**
Stock Purchase Rights Preferred Stock, Class A	**The NASDAQ Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
ü Yes __ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ___ Yes _ü_ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. _ü_ Yes ___ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

ü Large accelerated filer	___ Accelerated filer	___ Non-accelerated filer	___ Smaller reporting company
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
___ Yes _ü_ No

The aggregate market value of the common stock held by non-affiliates of the registrant as of September 30, 2007 (the last business day of the registrant s most recently completed second fiscal quarter) was approximately $9.9 billion based on the closing price of $25.72 on the New York Stock Exchange on that date.

The number of shares of each of the registrant s classes of common stock outstanding at May 15, 2008 was 513,725,511 shares of common stock, par value $0.10 per share.

Documents Incorporated by Reference:
Part III: Portions of the Proxy Statement to be issued in conjunction with the registrant s 2008 Annual Meeting of Stockholders.

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This Annual Report on Form 10-K (Form 10-K) contains certain forward-looking information relating to CA, Inc. (the Company, Registrant, CA, we, our, or us), that is based on the beliefs of, and assumptions made by, our mana as well as information currently available to management. When used in this Form 10-K, the words anticipate, believe, estimate, expect, and similar expressions are intended to identify forward-looking information. Such information includes, for example, the statements made under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations under Item 7, but also appears in other parts of this Form 10-K. This forward-looking information reflects our current views with respect to future events and is subject to certain risks, uncertainties, and assumptions, some of which are described under the caption Risk Factors in Part I Item 1A and elsewhere in this Form 10-K. Should one or more of these risks or uncertainties occur, or should our assumptions prove incorrect, actual results may vary materially from those described in this Form 10-K as anticipated, believed, estimated, or expected. We do not intend to update these forward-looking statements.

The product and services names mentioned in this Form 10-K are used for identification purposes only and may be protected by trademarks, trade names, services marks and/or other intellectual property rights of the Company and/or other parties in the United States and/or other jurisdictions. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. ITIL is a registered trademark of the Office of Government Commerce in the United Kingdom and other countries. All other trademarks, trade names, service marks and logos referenced herein, belong to their respective companies.

References in this Form 10-K to fiscal 2008, fiscal 2007, fiscal 2006 and fiscal 2005, etc. are to our fiscal years ended on March 31, 2008, 2007, 2006 and 2005, etc., respectively.

Part I

ITEM 1. BUSINESS.

(a) General Development of Business

Overview

CA, Inc., the world s leading independent information technology (IT) management software company, helps organizations use IT to better perform, compete, innovate and grow. We provide software solutions to unify and simplify IT management in highly complex computing environments. With CA s Enterprise IT Management (EITM) vision and our expertise, organizations can more effectively govern, manage and secure IT to reduce costs and risks, improve service and ensure IT is enabling their businesses success.

The Company was incorporated in Delaware in 1974, began operations in 1976, and completed an initial public offering of common stock in December 1981. During fiscal 2008 and through April 27, 2008, our common stock was traded on the New York Stock Exchange under the symbol CA. On April 28, 2008 we commenced trading on The NASDAQ Global Select Market tier of The NASDAQ Stock Market LLC under the same symbol.

We help customers govern, manage and secure their entire IT operation all of the people, information, processes, systems, networks, applications and databases from a Web service to the mainframe, regardless of the hardware or software they are using. We serve the majority of companies in the Forbes Global 2000, who rely on our software, in part, to manage mission critical aspects of their businesses. We have a broad portfolio of software products and services that address our customers needs for distributed or mainframe environments, spanning key growth areas including infrastructure management, project and portfolio management, IT security management, service management, data center automation and application performance management, as well as storage and business governance.

Business Developments and Highlights

In fiscal 2008, we took the following actions to support our business:

We sharpened our focus on enterprise customers who, by the nature of their size and the complexity of their IT infrastructures, have unique demands that our software and services are well suited to meet. Throughout the year, we continued to evolve our solutions to govern, manage and secure IT in line with customer needs and reinforced our commitment to the mainframe market, which is an important market for our customers and us.

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In February 2008, we finalized an agreement with HCL Technologies (HCL) to establish a strategic partnership in which HCL assumed all responsibilities for product development and research as well as customer support associated with our Internet Security business. We retain all sales and marketing functions for the Internet Security business.

In January 2008, we announced a series of initiatives to help customers derive the most long-term business value from their significant investments in mainframe computing technology. The initiatives include new mainframe suites, new no-cost consulting services and simplified models for pricing and licensing. These initiatives are designed to ease the pressures customers are under to improve the efficiency and effectiveness with which they govern, manage and secure their mainframe environments. This has become particularly important as the role of the mainframe continues to evolve and organizations become increasingly dependent on highly scalable, highly available and highly secure IT services capable of supporting large-scale database activity and intense transaction loads.

In November 2007, we announced a major new version of our CA Identity and Access Management solution that helps customers more securely and efficiently enable their businesses with service-oriented architecture (SOA) and Web services.

In October 2007, we announced the official opening of our new India Technology Center facility (CA ITC) in Hyderabad, increasing our presence in the region and reflecting our commitment to our research and development programs.

Also in October 2007, we unveiled a comprehensive solution for empowering IT organizations to achieve their increasingly challenging and business-critical governance, risk and compliance (GRC) objectives. The offering features CA GRC Manager, an innovative product that provides portfolio management of IT risks across the enterprise, as well as our industry-leading IT control automation solutions.

Also in October 2007, we announced new versions of five solutions for IBM z/OS that strengthen and automate the protection of corporate IT resources, while helping with legal and regulatory compliance.

In August 2007, we entered into a $1 billion five-year unsecured revolving credit facility that will expire August 2012. The new facility replaced a prior $1 billion four-year facility that was due to expire in December 2008.

Also in August 2007, we announced a new release of CA Unicenter Service Catalog that helps enable IT managers to define and deliver IT services in business terms.

Also in August 2007, we announced new versions of three mainframe application quality assurance and testing solutions that help organizations more effectively leverage their legacy application investments within a SOA environment.

In April 2007, we announced the next step in the fulfillment of our EITM vision with an innovative Unified Service Model and an accompanying set of solutions that empower IT to drive business growth and innovation to transform the way companies govern, manage and secure IT.

Also in April 2007, we formed an organization to develop and package solutions that focus on companies with revenue of $100 million to $1 billion to enhance our presence in the mid-market.

We made the following key additions and changes to our executive management team and Board of Directors:

In April 2008, Arthur F. Weinbach was elected to our Board of Directors and named to the Board s Compensation and Human Resources Committee.

In March 2008, we named Michael J. Christenson as CA s President. He continues as our Chief Operating Officer, reporting to our Chief Executive Officer, John A. Swainson. Mr. Christenson oversees our direct and indirect sales, services, technical support, business development and strategic alliances.

In January 2008, we announced greatly expanded roles for Dr. Ajei Gopal, Executive Vice President of the EITM Group, which encompasses a number of our key growth areas, and for Jacob Lamm, Executive Vice President of the Governance Group, which has a specific focus on the business governance market, an emerging and potentially large market for the Company. These appointments follow their promotions to our Executive Leadership Team in May 2007. They continue to report to Mr. Swainson.

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In December 2007, we promoted Una O Neill to Executive Vice President and General Manager of CA Services and to our Executive Leadership Team. She continues to report to Mr. Christenson.

In June 2007, William E. McCracken succeeded Lewis S. Ranieri as Chairman of CA s Board of Directors. Mr. Ranieri remained a Director until his retirement in December 2007.

In May 2007, we promoted George Fischer to Executive Vice President of Worldwide Direct Sales and John Ruthven to Executive Vice President of Worldwide Sales Operations. Mr. Fischer and Mr. Ruthven were also promoted to our Executive Leadership team and continue to report to Mr. Christenson.

In April 2007, Raymond J. Bromark was elected to our Board of Directors, named to the Board s Audit and Compliance Committee, of which he was named Chairman in October 2007, and named to the Board s Strategy Committee.

(b) Financial Information About Segments

Our global business consists of a single industry segment the design, development, marketing, licensing, and support of IT management software products that operate on a wide range of hardware platforms and operating systems. Refer to Note 5, Segment and Geographic Information, in the Notes to the Consolidated Financial Statements for financial data pertaining to our segment and geographic operations.

(c) Narrative Description of the Business

As the world s leading independent IT management software company, we help companies use IT to better perform, innovate, compete and grow. We believe our value proposition is unique: We provide software that unifies and simplifies complex IT management across an enterprise to improve business results. Our EITM vision, solutions and expertise help customers govern, manage and secure IT to manage cost and risk, improve service and ensure that IT is enabling their businesses to succeed.

We believe this has become important to companies because IT is more critical to running their businesses than ever. Companies rely on IT to conduct day-to-day business, and they are increasingly using IT to do more, such as drive innovation, comply with regulations, manage resources better and manage their energy consumption, enabling them to increase revenue and profit. We believe that to take full advantage of what IT can do for a business requires management and integration. Companies must be able to manage IT as a whole and not as islands of technology isolated from the business and unable to work together. Organizations need to be able to support and drive efficiencies in existing technologies, incorporate new technologies such as mobile devices and service-oriented architectures, and use best practice processes across IT while handling the daily business pressures of competition and profitability.

Our mission is to transform the way our customers manage IT and EITM is our vision of how we can help organizations accomplish this. With EITM, we enable customers to take advantage of what IT can do for their business by unifying disparate elements of IT systems, processes and people and using technology and automation to simplify complex IT management. Rather than replacing existing IT investments, customers can gain visibility and control in order to better manage what they already have in place whether it is a distributed or mainframe environment, and regardless of the hardware or software they are using.

We believe we have a unique competitive advantage in the marketplace with the breadth and quality of our products and solutions and their ease of integration with existing customer technology investments; the depth of our technical expertise; our commitment to open standards and innovation; our independence, which means we do not have a preferred hardware, software or operating system platform agenda; our ability to work with customers from planning through implementation; and our ability to offer solutions that are modular, open and integrated so that customers can use them at their own pace individually or in combination with their existing technology.

Because integration is so important, we provide a unifying platform, or what we call our Unified Service Model, to bring the management of IT all together and help customers gain the most value from their IT. We think of our Unified Service Model as providing a blueprint of the services IT offers to the business. Our Unified Service Model lets our customers see how the different elements of IT hardware, software and staff work together to deliver a complete service. The Unified Service Model, together with our solutions, provides a complete 360-degree view of a service with insight into costs, risks, entitlements and service levels so customers can manage IT more effectively. All of our solutions are integrated through the CA Integration Platform, which is the architectural foundation for our products.

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Business Strategy

We continue to pursue a strategy to: enable our customers to realize increasing levels of value from their IT investments through our EITM vision and enterprise management software products, solutions and services; maintain a relationship focus with our customers; accelerate our market growth; and improve our competitive profitability. We strive to do this in a number of ways, including by:

Concentrating on areas where we can maintain or achieve market leadership and respond to our customers needs for improved IT management. Many of our solutions are recognized by industry analysts as being among the leaders in their categories.

Developing, delivering and supporting products and services customers want and need to manage their IT investments effectively. We believe our relationship-oriented approach to our customers allows us to better understand and meet their needs. Our product development, services, education and technical support capabilities are designed to serve our customers from our initial discussion through implementation and ongoing support.

Business Organization

Overview

Our Company is organized to support our business strategy, from how we develop and deliver products and services to how we market and sell our software to how we support our technology.

Our product development efforts are aligned with our customers needs to govern, manage and secure IT. We group our products based on areas of focus where we believe we have the greatest growth opportunities and leading solutions. These areas include: infrastructure management, project and portfolio management, IT security management, service management, data center automation and application performance management. These areas are in addition to our continued commitment to mainframe and storage solutions, as well as our pursuit of the emerging business governance market. We do not presently maintain profit and loss data on these focus areas, and they are therefore not considered business segments.

Govern

We help our customers make better decisions by giving them insight into their IT investments and risk from a single place. We view governance in terms of business governance and IT governance, which is addressed by CA Clarity^{tm}, our leading solution for project and portfolio management. In October 2007, we expanded our governance capabilities to address increasingly challenging and business-critical GRC objectives of IT organizations. In particular, CA GRC Manager is an innovative product that provides portfolio management of IT risks across the enterprise, as well as CA s industry-leading IT control automation solutions.

Manage

We make it easier to manage technology so that high-quality IT services can be delivered within our customers businesses at a competitive cost. We focus on service management; datacenter automation; application performance management, which includes offerings such as CA Wily Introscope®; and infrastructure management, which includes offerings such as CA SPECTRUM Network Fault Manager, CA eHealth® Network Performance Manager and CA Unicenter® Network and Systems Management. We augmented these capabilities in August 2007 when we announced a new release of CA Unicenter Service Catalog that helps IT managers to define and deliver IT services in business terms.

Secure

We ensure customers have secure access to the information, applications, systems and services they need to conduct their businesses. We focus on identity and access management, as well as security information management and threat management. In November 2007, we announced CA Identity and Access Management r12, a major new version of our offering that helps customers more securely and efficiently enable their businesses with Service Oriented Architecture (SOA) and Web services.

Sales and Marketing

We offer our solutions through our direct sales force, and indirectly through global systems integrators, value-added partners, original equipment manufacturers and distribution partners. We have a disciplined, structured and systematic

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selling process through which we concentrate on high-growth areas for both the distributed and mainframe environment including:

- infrastructure management
- project and portfolio management
- IT security management
- service management
- data center automation, and
- application performance management

These areas, along with our continued commitment to other core parts of our business such as mainframe, storage and business governance, allow us to address customer needs and deepen relationships while opening the door for us to cross-sell and up-sell additional solutions. We rely on our marketing organization to help us identify new market opportunities, provide fact-based insight on industry and customer trends, and build awareness of CA worldwide to help drive sales.

Our sales organization operates on a worldwide basis. We operate through branches, subsidiaries and partners around the world. Approximately 48% of our revenue in fiscal 2008 was from operations outside of the United States. As of March 31, 2008 and March 31, 2007, we had approximately 3,300 and 3,700 sales and sales support personnel, respectively. In certain smaller geographic locations, we may use our distribution and resale partners as our primary selling vehicle.

Partners

Partners are an integral part of our strategy. We need a broad base of partners to enable us to reach more customers, complement our expertise in niche areas and provide fulfillment and distribution. We partner with global systems integrators for their process design and planning as well as vertical expertise and work with companies including, but not limited to, Accenture, Deloitte, and PricewaterhouseCoopers.

We also work with value-added partners to offer enterprise solution implementation and we actively encourage them to market our software products. Value-added partners often combine our software products with specialized consulting services and provide enhanced, user-specific solutions to a particular market or sector. Facilities managers, including CSC, EDS, and IBM, often deliver IT services using our software products to companies that prefer to outsource their IT operations. In addition, we work with distribution partners who have specific market expertise.

Our organization that focuses on companies with revenue of $100 million to $1 billion delivers CA solutions to this market through partners to capitalize on the multi-billion dollar opportunity represented by the estimated 66,000 such companies around the world. As part of our commitment to this market, in February 2008, we announced a major new release of CA Recovery Management that enables companies to simplify management, tighten security and speed recovery of critical business information. CA Recovery Management includes new releases of CA ARCserve® Backup, CA XOsoft™ High Availability and CA XOsoft™ Replication, offering channel partners and their customers the latest advances in data protection, business continuity and disaster recovery.

Customers

We have a large and broad base of customers, including the majority of companies in the Forbes Global 2000. Most of our revenue is generated from customers who have the ability to make substantial commitments to software and hardware implementations. Our software products are used in a broad range of industries, businesses and applications. We currently serve companies across every major industry worldwide including banks, insurance companies, other financial services providers, governmental agencies, manufacturers, technology companies, retailers, educational institutions and health care institutions.

When customers enter into software license agreements with us, they often pay for the right to use our software for a specified period of time. When the terms of these agreements expire, the customers must either renew the license agreements or pay usage and maintenance fees, if applicable, for the right to continue to use our software and/or receive support. Our customers satisfaction is important to us and we believe that our flexible business model allows us

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to maintain our customer base while allowing us the opportunity to cross-sell new software products and services to them.

No individual customer accounted for a material portion of our revenue during any of the past three fiscal years, or a material portion of the license contract value that has not yet been earned (deferred subscription value) reported at the end of any period in the past three fiscal years. As of March 31, 2008, four customers accounted for substantially all of our outstanding prior business model net receivables, which amounted to approximately $342 million, including one large IT outsourcing customer with a license arrangement that extends through fiscal 2012 with a net unbilled receivable balance of approximately $324 million. Refer to Business Model in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, for further information.

Competition

The markets in which we compete are marked by rapid technological change, the steady emergence of new companies and products, evolving industry standards, and changing customer needs. Competitive differentiators include, but are not limited to: industry vision, performance, quality, breadth of product group, expertise, integration of products, brand name recognition, price, functionality, customer support, frequency of upgrades and updates, manageability of products and reputation.

We compete with many established companies in the markets we serve. Some of these companies have substantially greater financial, marketing, and technological resources, larger distribution capabilities, earlier access to customers, and greater opportunity to address customers various information technology requirements than we do. These factors may provide our competitors with an advantage in penetrating markets with their products. We also compete with many smaller, less established companies that may be able to focus more effectively on specific product areas or markets. Because of the breadth of our product offerings, we compete with companies in specific product areas and in one instance, across all of our product areas. Some of our key competitors are IBM, BMC, HP, Cisco, EMC, Microsoft, Oracle and Symantec.

We believe that we are well positioned and have a competitive advantage in the marketplace with our EITM vision, the breadth and quality of our product offerings, our hardware and operating system independence, and the ability to offer our solutions as product modules or as integrated suites, so that customers can use them at their own pace. We continue our efforts to evolve the CA brand to consistently help the market understand the value we can deliver.

CA Services, Education and Technical Support

We support our software with implementation services, education and technical support to help customers gain the most from their CA technology investments.

CA Services Our CA Services team and global systems integration partners strive to help our customers shorten the time to achieve measurable business results through fast, efficient implementation of our solutions. Our proven, repeatable and phased approach draws on the expertise and best practice knowledge developed during thousands of successful projects completed annually in large and diverse organizations.

CA Education We offer a comprehensive portfolio of basic to advanced level training to address the range of customer needs, all with the goal of helping customers get the most out of their technology investments. Our blended learning solutions range from classroom-based training in our Global Learning Centers to self-paced and on-line training offerings.

CA Technical Support As part of our commitment to customer satisfaction, we strive to provide our customers with industry-leading support through our dedicated technical support staff, online services, custom offerings, and partner support programs. Our Technical Support team is highly skilled and customer focused, delivering 24 x 7 business-critical assistance to locations around the world. CA s Technical Support team helps customers get the most from their software purchases by resolving issues and answering product questions quickly to keep their systems running.

Office of the CTO

The Office of the Chief Technology Officer (CTO) drives our technology strategy; manages our intellectual property and patent portfolio; governs our participation in standards organizations; and leads research and development for emerging technologies. The Office of the CTO oversees the CA Council for Technical Excellence, which was formed in 2006 to lead innovative projects designed to set the pace for true innovation in the industry and promote communication, collaboration, standards and architectural approaches throughout CA s global technical community. This office also oversees two innovation centers: Research Labs to drive advanced technologies, and Emerging Business Opportunities to manage incubator projects for innovative governance, management and security solutions beyond those developed to support existing solutions.

Research and Development

We continue to invest extensively in product development and enhancements. We anticipate that we will continue to adapt our software products to the rapid changes in the IT industry and will continue to enhance our products to help them remain compatible with hardware, operating system changes and our customer s needs.

We have approximately 5,900 engineers globally who design and support CA software and have charged to operations over $500 million annually in fiscal 2008, 2007 and 2006 for product development and enhancements. In fiscal 2008, 2007 and 2006, we capitalized costs of $112 million, $85 million and $84 million, respectively, for internally developed software.

Our product development staff is global, with locations in Australia, China, the Czech Republic, Germany, India, Israel, Japan, the United Kingdom and the United States. Our technological efforts around the world ensure we maintain a global perspective of customer needs while cost-effectively tapping the skills and talents of developers worldwide, and enable us to efficiently and effectively deliver support to our customers.

In the United States, product development is primarily performed at our facilities in Brisbane and Redwood City, California; San Diego, California; Lisle, Illinois; Framingham, Massachusetts; Mount Laurel, New Jersey; Islandia, New York; Plano, Texas; and Herndon, Virginia.

We also are becoming more efficient in our product development. In October 2007, we announced the official opening of our new CA India Technology Center facility (CA ITC) in Hyderabad. The state-of-the-art campus reflects the substantial investment CA has made in staffing the CA ITC s research and development operations. Our workforce in India now exceeds 1,600. The CA ITC team will take a lead role in advancing our EITM vision of unifying and simplifying IT management.

We also took measures to help grow our Internet threat security business through our strategic partner, HCL Technologies (HCL) in a way that allows us to take advantage of our expertise and opportunities in this area while enabling more aggressive product development.

To keep CA on top of major technological advances and to ensure our products continue to work well with those of other vendors, we are active in most major standards organizations and take the lead in many. Many of our professionals are certified across key standards, including ITIL®, PMI, CSPP, and have built knowledge and expertise in key vertical markets, such as financial services, government, telecommunications, insurance, healthcare, manufacturing and retail. Further, CA was the first major software company to earn the International Organization for Standardization s (ISO) 9001:2000 Global Certification.

Patents and Trademarks

Certain aspects of our products and technology are proprietary. We rely on U.S. and foreign intellectual property laws, including patent, copyright, trademark and trade secret laws to protect our proprietary rights. As of March 31, 2008, we hold over 600 patents worldwide and over 1,000 patent applications are pending worldwide for our technology. However, the extent and duration of protection given to different types of intellectual property rights vary under different countries legal systems. Generally, our U.S. and foreign patents expire at various times over the next

20 years. While the durations of our patents vary, we believe that the durations of our patents are adequate. The expiration of any of our patents will not have a material adverse effect on our business. In some countries, full-scale intellectual property protection for our products and technology may be unavailable, or the laws of other jurisdictions may not protect our proprietary technology rights to the same extent as the laws of the United States. We also maintain contractual restrictions in our agreements with customers, employees and others to protect our intellectual property rights. In addition, we occasionally license software and technology from third parties, including some competitors, and incorporate them into our own software products.

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The source code for our products is protected both as trade secrets and as copyrighted works. Some of our customers are beneficiaries of a source code escrow arrangement that enables our customers to obtain a contingent, limited right to access our source code. If our source code is accessed, the likelihood of misappropriation or other misuse of our intellectual property may increase.

We are not aware that our products or technologies infringe on the proprietary rights of third parties. Third parties, however, may assert infringement claims against us with respect to our products, and any such assertion may require us to enter into royalty arrangements or result in costly and time-consuming litigation. Although we have a number of U.S. and foreign patents and pending applications that may have value to various aspects of our products and technology, we are not aware of any single patent that is essential to us or to any of our principal business product areas.

Product Licensing

We believe we can serve our customers better by offering multiple ways to license our products to help customers realize maximum value from their software investments. This philosophy is the basis of our business model.

Customers face challenges when trying to achieve their desired returns on software investments. These challenges are compounded by traditional software pricing models that often force companies to make long-term commitments for projected capacities. When these projections are inaccurate, companies may not achieve the desired returns on investment. Many companies are also concerned that, due to short product life cycles for some software products, new products may become available before the end of their current software license agreement periods. In addition, some companies, particularly those in new or evolving industries, want pricing structures that are linked to the growth of their businesses to minimize the risks of overestimating capacity projections.

Our licensing model offers customers a wide range of purchasing and payment options. Under our flexible licensing terms, customers can license our software products under multi-year licenses, with most customers choosing terms of one to three years, although longer terms are sometimes selected for customers who desire greater cost certainty. We also help customers reduce uncertainty by providing a standard pricing schedule based on simple usage tiers. Additionally, we offer our customers the ability to establish pricing models for our products based on their key business metrics. Although this practice is not widely utilized by our customers, we believe this metric-based approach can provide us with a competitive advantage.

On licenses sold for most of our products, we offer our customers the right to receive unspecified future products for no additional fee, as well as maintenance included during the term of the license. On licenses sold for certain products or through certain indirect channels, we do not offer our customers unspecified future products and do not always include maintenance with the license sale. For a description of our revenue recognition policies, refer to Results of Operations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Employees

The table below sets forth the approximate number of employees by location and functional area as of March 31, 2008:

LOCATION	EMPLOYEES AS OF MARCH 31, 2008	FUNCTIONAL AREA	EMPLOYEES AS OF MARCH 31, 2008
Corporate headquarters	2,000	Professional services	1,500

		Support services	1,500
Other U.S. offices	5,300	Selling and marketing	3,900
		General and administrative	2,400
International offices	6,400	Product development	4,400
Total	13,700	Total	13,700

As of March 31, 2008 and 2007, we had 13,700 and 14,500 employees, respectively. The decrease was mostly in our sales and administrative staff and reflects the actions taken through the fiscal 2007 plan. Refer to the Restructuring and Other section in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations for additional information. We believe our employee relations are satisfactory.

(d) Financial Information About Geographic Areas

Refer to Note 5, Segment and Geographic Information in the Notes to the Consolidated Financial Statements for financial data pertaining to our segment and geographic operations.

(e) Available Information

Our website address is **ca.com**. All filings we make with the SEC, including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, and any amendments, are available for free on our website as soon as reasonably practicable after they are filed with or furnished to the SEC. Our SEC filings are available to be read or copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings can also be obtained for free on the SEC s Internet site at **sec.gov**. The reference to our website address does not constitute incorporation by reference of the information contained on the website in this Form 10-K or other filings with the SEC, and the information contained on the website is not part of this document.

Our website also contains information about our initiatives in corporate governance, including: our corporate governance principles; information concerning our Board of Directors (including e-mail communication with them); our Business Practices Standard of Excellence; Our Code of Conduct (applicable to all of our employees, including our Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, and our directors); instructions for calling the CA Compliance and Ethics Helpline; information concerning our Board Committees, including the charters of the Audit and Compliance Committee, the Compensation and Human Resources Committee, the Corporate Governance Committee, and the Strategy Committee; and transactions in CA securities by directors and executive officers. These documents can also be obtained in print by writing to our Executive Vice President, Global Risk & Compliance, and Corporate Secretary, Kenneth V. Handal, at the Company s world headquarters in Islandia, New York, at the address listed on the cover of this Form 10-K. Refer to the Corporate Governance section in the Investor Relations section of our website for details.

ITEM 1A. RISK FACTORS

Current and potential stockholders should consider carefully the risk factors described below. Any of these factors, or others, many of which are beyond our control, could materially adversely affect our business, financial condition, operating results and cash flow.

Our operating results are subject to fluctuations caused by many factors associated with our industry and the markets for our products which, in turn, may individually and collectively affect our revenue, profitability and cash flow in adverse and unpredictable ways.
Quarterly and annual results of operations are affected by a number of factors associated with our industry and the markets for our products, including those listed below, which in turn could materially adversely affect our business, financial condition, operating results and cash flow in the future.

- The rate of adoption of new product technologies and demand for products and services;
- Length of our sales cycle to our customers;
- Customer difficulty in implementation of our products;
- Magnitude of price and product or services competition;
- Introduction of new hardware by manufacturers of computer hardware systems used by most of our customers;

General economic conditions in countries and industries in which we do a substantial amount of business;

Changes in foreign currency exchange rates;

Ability to control costs;

The number and terms and conditions of licensing transactions;

Workforce reorganizations in various locations around the world, including reorganizations of sales, technical services, finance, human resources and facilities functions;

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Timing and impact of threat outbreaks (*e.g.*, computer software worms and viruses);

The results of litigation;

Ability to retain and attract qualified personnel; and

The markets for some or all of our products may not grow as we expect.

Any of the foregoing factors, among others, may cause our operating expenses to be disproportionately high, or cause our revenue and operating results to fluctuate. As a consequence, our business, financial condition, operating results and cash flow could be materially adversely affected. For a discussion of certain factors that could affect our cash flow in the future, for example, please see Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Sources and Uses of Cash.

The timing of orders from customers and channel partners may cause fluctuations in some of our key financial metrics which may affect our quarterly financial results and stock price.
Historically, a substantial portion of our license agreements are executed in the last month of a quarter. Any failure or delay in executing new or renewed license agreements in a given quarter could cause fluctuations in some of our key financial metrics (*e.g.*, new deferred subscription value or cash flow), which could have a material adverse effect on our quarterly financial results. Our historically uneven sales pattern also makes it difficult to predict future new deferred subscription value and cash flow for each period and, accordingly, increases the risk of unanticipated variations in our quarterly results and financial condition. If we do not achieve our forecasted results for a particular period, our stock price could decline significantly.

Given the global nature of our business, economic factors or political events beyond our control and other business risks associated with foreign operations can affect our business in unpredictable ways.
International revenue has historically represented a significant percentage of our total worldwide revenue. Continued success in selling and developing our products outside the United States will depend on a variety of factors, including:

Workforce reorganizations in various locations around the world, including reorganizations of sales, technical services, finance, human resources and facilities functions;

Fluctuations in foreign exchange currency rates;

Staffing key managerial positions;

The ability to successfully localize software products for a significant number of international markets;

More restrictive employment regulation;

General economic conditions;

Political instability;

Trade restrictions such as tariffs, duties, taxes or other controls;

International intellectual property laws, which may be more restrictive or may offer lower levels of protection; and

Compliance with differing and changing local laws and regulations in multiple international locations as well as compliance with United States law and regulations where applicable in these international locations.

Any of the foregoing factors, among others, could materially adversely affect our business, financial condition, operating results and cash flow.

Changes to the compensation of our sales organization could materially adversely affect our business, financial condition, operating results and cash flow.

We may change our compensation plans for the sales organization from time to time in order to align the sales force with the Company s economic interests. Under the terms of CA s Incentive Compensation Plan (Incentive Compensation Plan), management retains broad discretion to change various aspects of the Incentive Compensation Plan such as sales quotas or territory assignments, to ensure that the plan is aligned with CA s overall business objectives. However, the

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laws of many of the countries and states in which CA operates impose limitations on the amount of discretion a company s management may exercise on compensation matters such as commissions. The Incentive Compensation Plan itself, or changes made by management where CA exercises discretion to change the Incentive Compensation Plan, may lead to outcomes that are not anticipated or intended and may impact our cost of doing business, employee morale, and/or other performance metrics, all of which could materially adversely affect our business, financial condition, operating results and cash flow.

Changes to our sales force coverage model and organization could adversely affect our business, financial condition, operating results, and cash flow.
In the past, we made substantial changes to our sales organization and sales coverage model. See Item 1, Business (c) Description of the Business Sales and Marketing for more information. The purpose of these changes was to enable the Company to increase its sales of new products and solutions to new and existing customers while protecting the Company s installed base. In addition, these changes may require our sales force to acquire new skills and knowledge and to assume different roles. These changes are ongoing in fiscal 2009 as we continue to refine our go-to-market strategy in selected geographic markets. Any of these changes may lead to outcomes that are not anticipated or intended and may adversely affect the performance of our sales force and thus our cost of doing business, employee morale, or other performance metrics, all of which could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to expand our channel partner programs related to the sale of CA solutions may result in lost sales opportunities, increases in expenses and weakening in our competitive position.
We sell CA solutions through systems integrators and value-added resellers in channel partner programs that require training and expertise to sell these solutions, and global penetration to grow these aspects of our business. The failure to expand these channel partner programs and penetrate these markets could materially adversely affect our success with channel partners, resulting in lost sales opportunities and an increase in expenses, as well as weaken our competitive position.

If we do not adequately manage and evolve our financial reporting and managerial systems and processes, including the successful implementation of our enterprise resource planning software, our ability to manage and grow our business may be harmed.
Our ability to successfully implement our business plan and comply with regulations requires effective planning and management systems and processes. We need to continue to improve existing and implement new operational and financial systems, procedures and controls to manage our business effectively in the future. As a result, we have licensed enterprise resource planning software and are in the process of expanding and upgrading our operational and financial systems. Any delay in the implementation of, or disruption in the transition to, our new or enhanced systems, procedures or internal controls, could adversely affect our ability to accurately forecast sales demand, manage our supply chain, achieve accuracy in the conversion of electronic data and records, and report financial and management information, including the filing of our quarterly or annual reports with the SEC, on a timely and accurate basis. Failure to properly or adequately address these issues could result in the diversion of management s attention and resources, adversely affect our ability to manage our business and materially adversely affect our business, financial condition, results of operations and cash flow. Refer to Item 9A, Controls and Procedures, for further information.

We may encounter difficulties in successfully integrating companies and products that we have acquired or may acquire into our existing business and, therefore, such failed integration could materially adversely affect our infrastructure, market presence, or results of operations.
We have in the past and expect in the future to acquire complementary companies, products, services and technologies (including through mergers, asset acquisitions, joint ventures, partnerships, strategic alliances, and equity investments). The risks we may encounter include:

We may find that the acquired company or assets do not further improve our financial and strategic position as planned;

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- We may have difficulty integrating the operations, facilities, personnel and commission plans of the acquired business;
- We may have difficulty forecasting or reporting results subsequent to acquisitions;
- We may have difficulty retaining the technical skills needed to provide services on the acquired products;
- We may have difficulty incorporating the acquired technologies or products with our existing product lines;
- We may have product liability, customer liability or intellectual property liability associated with the sale of the acquired company s products;
- Our ongoing business may be disrupted by transition or integration issues; our management s attention may be diverted from other business concerns;
- We may be unable to obtain timely approvals from governmental authorities under applicable competition and antitrust laws;
- We may have difficulty maintaining uniform standards, controls, procedures and policies;
- Our relationships with current and new employees, customers and distributors could be impaired; the acquisition may result in increased litigation risk, including litigation from terminated employees or third parties;
- We may have difficulty with determinations related to accounting matters, including those that require a high degree of judgment or complex estimation processes, including valuation and accounting for goodwill and intangible assets, stock-based compensation, and income tax matters; and
- Our due diligence process may fail to identify significant issues with the target company s product quality, financial disclosures, accounting practices, internal control deficiencies, including material weaknesses, product architecture, legal contingencies and other matters.

These factors could have a material adverse effect on our business, results of operations, financial condition and cash flow, particularly in the case of a large acquisition or number of acquisitions. To the extent we issue shares of stock or other rights to purchase stock, including options, to pay for acquisitions or to retain employees, existing stockholders interests may be diluted and earnings per share may decrease.

We are subject to intense competition in product and service offerings and pricing, and we expect to face increased competition in the future, which could diminish demand for our products and, therefore, reduce our sales, revenue and market presence.

The markets for our products are intensely competitive, and we expect product and service offerings and pricing competition to increase. Some of our competitors have longer operating histories, greater name recognition, a larger installed base of customers in any particular market niche, larger technical staffs, established relationships with hardware vendors or greater financial, technical and marketing resources. Competitors for our various products include large technology companies. We also face competition from numerous smaller companies that specialize in specific aspects of the highly fragmented software industry and shareware authors that may develop competing products. In addition, new companies enter the market on a frequent and regular basis, offering products that compete with those offered by us. Moreover, many customers historically have developed their own products that compete with those offered by us. The competition may affect our ability to attract and retain the technical skills needed to provide services to our customers, forcing us to become more reliant on delivery of services through third parties. This, in turn, could increase operating costs and decrease our revenue, profitability and cash flow. Additionally, competition from any of these sources can result in price reductions or displacement of our products, which could have a material adverse effect on our business, financial condition, operating results and cash flow.

Our competitors include large vendors of hardware or operating system software and/or service providers. The widespread inclusion of products that perform the same or similar functions as our products bundled within computer hardware or other companies software products, or services similar to those provided by us, could reduce the perceived need for our products and services, or render our products obsolete and unmarketable. Furthermore, even if these incorporated products are inferior or more limited than our products, customers may elect to accept the incorporated

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products rather than purchase our products. In addition, the software industry is currently undergoing consolidation as software companies seek to offer more extensive suites and broader arrays of software products and services, as well as integrated software and hardware solutions. This consolidation may negatively impact our competitive position, which could materially adversely affect our business, financial condition, operating results and cash flow. Refer to Item 1, Business (c) Narrative Description of the Business Competition, for additional information.

Our business may suffer if we are not able to retain and attract adequate qualified personnel, including key managerial, technical, marketing and sales personnel.

We operate in a business where there is intense competition for experienced personnel in all of our global markets. We depend on our ability to identify, recruit, hire, train, develop and retain qualified and effective personnel. Our ability to do so depends on numerous factors, including factors that we cannot control, such as competition and conditions in the local employment markets in which we operate. Our future success depends in large part on the continued contribution of our senior management and other key employees. A loss of a significant number of skilled managerial or personnel could have a negative effect on the quality of our products. A loss of a significant number of experienced and effective sales personnel could result in fewer sales of our products. Our failure to retain adequate employees in these categories could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to adapt to technological change in a timely manner could materially adversely affect our revenue and earnings.

If we fail to keep pace with technological change in our industry, such failure would have an adverse effect on our revenue and earnings. We operate in a highly competitive industry characterized by rapid technological change, evolving industry standards, changes in customer requirements and frequent new product introductions and enhancements. During the past several years, many new technological advancements and competing products entered the marketplace. The distributed systems and application management markets in which we operate are far more crowded and competitive than our traditional mainframe systems management markets.

Our ability to compete effectively and our growth prospects for all of our products depend upon many factors, including the success of our existing distributed systems products, the timely introduction and success of future software products, and the ability of our products to perform well with existing and future leading databases and other platforms supported by our products. We have experienced long development cycles and product delays in the past, particularly with some of our distributed systems products, and expect to have delays in the future. In addition, we have incurred, and expect to continue to incur, significant research and development costs, as we introduce new products. If there are delays in new product introductions or less-than-anticipated market acceptance of these new products, we will have invested substantial resources without realizing adequate revenues in return, which could materially adversely affect our financial condition, operating results and cash flow.

If our products do not remain compatible with ever-changing operating environments we could lose customers and the demand for our products and services could decrease, which could materially adversely affect our financial condition, operating results and cash flow.

The largest suppliers of systems and computing software are, in most cases, the manufacturers of the computer hardware systems used by most of our customers. Historically, these companies have from time to time modified or introduced new operating systems, systems software and computer hardware. In the future, such new products from these companies could incorporate features that perform functions currently performed by our products, or could require substantial modification of our products to maintain compatibility with these companies hardware or software. Although we have to date been able to adapt our products and our business to changes introduced by hardware manufacturers and system software developers, there can be no assurance that we will be able to do so in the future. Failure to adapt our products in a timely manner to such changes or customer decisions to forgo the use of our products in favor of those with comparable functionality contained either in the hardware or operating system could have a material adverse effect on our business, financial condition, operating results and cash flow.

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Certain software that we use in daily operations is licensed from third parties and thus may not be available to us in the future, which has the potential to delay product development and production and, therefore, could materially adversely affect our financial condition, operating results and cash flow.
Some of our solutions contain software licensed from third parties. Some of these licenses may not be available to us in the future on terms that are acceptable to us or allow our products to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future products or the enhancement of existing products. We may also choose to pay a premium price for such a license in certain circumstances where continuity of the licensed product would outweigh the premium cost of the license. There can be no assurance that, at a given point of time, any of the above will not have a material adverse effect on our business, financial condition, operating results and cash flow.

Certain software we use is from open source code sources, which, under certain circumstances, may lead to unintended consequences and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow.
Some of our products contain software from open source code sources. The use of such open source code may subject us to certain conditions, including the obligation to offer our products that use open source code for no cost. We monitor our use of such open source code to avoid subjecting our products to conditions we do not intend. However, the use of such open source code may ultimately subject some of our products to unintended conditions, so that we are required to take remedial action that may divert resources away from our development efforts. We believe that the use of such open source code will not have a significant impact on our operations and that our products will be viable after any remediation efforts. However, there can be no assurance that future conditions involving such open source code will not have a material adverse effect on our business, financial condition, operating results and cash flow.

Discovery of errors in our software could materially adversely affect our revenue and earnings and subject us to product liability claims, which may be costly and time consuming.
The software products we offer are inherently complex. Despite testing and quality control, we cannot be certain that errors will not be found in current versions, new versions or enhancements of our products after commencement of commercial shipments. If new or existing customers have difficulty deploying our products or require significant amounts of customer support, our operating margins could be adversely affected. Moreover, we could face possible claims and higher development costs if our software contains undetected errors or if we fail to meet our customers expectations. Significant technical challenges also arise with our products because our customers purchase and deploy our products across a variety of computer platforms and integrate them with a number of third-party software applications and databases. These combinations increase our risk further because in the event of a system-wide failure, it may be difficult to determine which product is at fault; thus, we may be harmed by the failure of another supplier s products. As a result of the foregoing, we could experience:

Loss of or delay in revenue and loss of market share;

Loss of customers, including the inability to do repeat business with existing key customers;

Damage to our reputation;

Failure to achieve market acceptance;

Diversion of development resources;

Increased service and warranty costs;

- Legal actions by customers against us that could, whether or not successful, increase our costs and distract our management;
- Increased insurance costs; and
- Failure to successfully complete service engagements for product installations and implementations.

In addition, a product liability claim, whether or not successful, could be time-consuming and costly and thus could have a material adverse effect on our business, financial condition, operating results and cash flow.

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Our credit ratings have been downgraded in the past and could be downgraded further, which would require us to pay additional interest under our principal revolving credit agreement and could adversely affect our ability to borrow in the future.

Our senior unsecured notes are rated by Moody s Investors Service, Fitch Ratings, and Standard and Poor s. These agencies or any other credit rating agency may downgrade or take other negative action with respect to our credit ratings in the future. If our credit ratings are downgraded or other negative action is taken, we would be required to, among other things, pay additional interest on outstanding borrowings under our principal revolving credit agreement. Any downgrades could affect our ability to obtain additional financing in the future and may affect the terms of any such financing. This could have a material adverse effect on our business, financial condition, operating results and cash flow.

We have a significant amount of debt, and failure to generate sufficient cash as our debt becomes due or to renew credit lines prior to their expiration could materially adversely affect our business, financial condition, operating results and cash flow.

As of March 31, 2008, we had $2.6 billion of debt outstanding, consisting of unsecured fixed-rate senior note obligations, convertible senior notes, and credit facility borrowings. Refer to Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligations and Commitments, for the payment schedule of our long-term debt obligations, inclusive of interest. We expect that existing cash, cash equivalents, marketable securities, cash provided from operations and our bank credit facilities will be sufficient to meet ongoing cash requirements. However, failure to generate sufficient cash as our debt becomes due or to renew credit lines prior to their expiration could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to protect our intellectual property rights and source code would weaken our competitive position.

Our future success is highly dependent upon our proprietary technology, including our software and our source code for such software. Failure to protect such technology could lead to our loss of valuable assets and competitive advantage. We protect our proprietary information through the use of patents, copyrights, trademarks, trade secret laws, confidentiality procedures and contractual provisions. Notwithstanding our efforts to protect our proprietary rights, policing unauthorized use or copying of our proprietary information is difficult. Unauthorized use or copying occurs from time to time and litigation to enforce intellectual property rights could result in significant costs and diversion of resources. Moreover, the laws of some foreign jurisdictions do not afford the same degree of protection to our proprietary rights as do the laws of the United States. For example, for some of our products, we rely on shrink-wrap or click-on licenses, which may be unenforceable in whole or in part in some jurisdictions in which we operate. In addition, patents we have obtained may be circumvented, challenged, invalidated or designed around by other companies. If we do not adequately protect our intellectual property for these or other reasons, our business, financial condition, operating results and cash flow could be materially adversely affected. Refer to Item 1, Business (c) Narrative Description of the Business Technological Expertise, for additional information.

We may become dependent upon large transactions, and the failure to close such transactions on a satisfactory basis could materially adversely affect our business, financial condition, operating results and cash flow.

In the past, we have been dependent upon large-dollar enterprise transactions with individual customers. There can be no assurances that we will not be reliant on large-dollar enterprise transactions in the future, and the failure to close such transactions on commercially attractive terms to us could materially adversely affect our business, financial condition, operating results and cash flow.

Our sales to government clients subject us to risks, including early termination, audits, investigations, sanctions and penalties.

Approximately 8% of our total deferred subscription value as of March 31, 2008 is associated with multi-year contracts signed with the U.S. federal government and other U.S. state and local governmental agencies. These contracts are generally subject to annual fiscal funding approval and/or may be terminated at the convenience of the government. Termination of a contract or funding for a contract could adversely affect our sales, revenue and reputation. Additionally, government contracts are generally subject to audits and investigations, which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government.

Our customers data centers and IT environments may be subject to hacking or other breaches, harming the market perception of the effectiveness of our products.
If an actual or perceived breach of our customers network security occurs, allowing access to our customers data centers or other parts of their IT environments, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. Because the techniques used by computer hackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Alleviating any of these problems could require significant expenditures of our capital and diversion of our resources from development efforts. Additionally, these efforts could cause interruptions, delays or cessation of our product licensing, or modification of our software, which could cause us to lose existing or potential customers, which could materially adversely affect our business, financial condition, operating results and cash flow.

Our software products, data centers and IT environments may be subject to hacking or other breaches, harming the market perception of the effectiveness of our products.
Although we believe we have sufficient controls in place to prevent intentional disruptions, we expect to be an ongoing target of attacks specifically designed to impede the performance of our products. Similarly, experienced computer programmers, or hackers, may attempt to penetrate our network security or the security of our data centers and IT environments and misappropriate proprietary information or cause interruptions of our services. If these intentionally disruptive efforts are successful, our activities could be adversely affected, our reputation and future sales could be harmed and our business, financial condition, operating results and cash flow could be materially adversely affected.

General economic conditions may lead our customers to delay or forgo technology upgrades which could adversely affect our business, financial condition, operating results and cash flow.
Our products are designed to improve the productivity and efficiency of our customers information processing resources. However, a general slowdown in the world economy or a particular region, or business or industry sector (such as the financial services sector), particularly with respect to discretionary spending for software, could cause customers to delay or forgo decisions to license new products, to upgrade their existing environments or to acquire services, which could adversely affect our business, financial condition, operating results and cash flow.

The use of third-party microcode could negatively affect our product development.
We anticipate ongoing use of microcode or firmware provided by hardware manufacturers. Microcode and firmware are essentially software programs embedded in hardware and are, therefore, less flexible than other types of software. We believe that such continued use will not have a significant impact on our operations and that our products will remain compatible with any changes to such code. However, there can be no assurance that future technological developments involving such microcode will not have a material adverse effect on our business, financial condition, operating results and cash flow.

We may lose access to third-party operating systems, which could materially adversely affect future product development.
In the past, certain of our licensees using proprietary operating systems were furnished with source code, which makes the operating system understandable to programmers; or object code, which directly controls the hardware; and other technical documentation. Since the availability of source code facilitated the development of systems and applications software, which must interface with the operating systems, independent software vendors, such as us, were able to develop and market compatible software. Other vendors, including some of the largest vendors, have a policy of

restricting the use or availability of the source code for some of their operating systems. To date, this policy has not had a material effect on us. Some companies, however, may adopt more restrictive policies in the future or impose unfavorable terms and conditions for such access. These restrictions may, in the future, result in higher research and development costs for us in connection with the enhancement and modification of our existing products and the development of new products. Although we do not expect that such restrictions will have this adverse effect, there can be no assurances that such restrictions or other restrictions will not have a material adverse effect on our business, financial condition, operating results and cash flow.

Third parties could claim that our products infringe their intellectual property rights or that we owe royalty payments, which could result in significant litigation expense or settlement with unfavorable terms, which could materially adversely affect our business, financial condition, operating results and cash flow.
From time to time third parties may claim that our products infringe various forms of their intellectual property or that we owe royalty payments to them. Investigation of these claims, whether with or without merit, can be expensive and could affect development, marketing or shipment of our products. As the number of software patents issued increases, it is likely that additional claims, with or without merit, will be asserted. Defending against such claims is time-consuming and could result in significant litigation expense or settlement with unfavorable terms, which could materially adversely affect our business, financial condition, operating results and cash flow.

Fluctuations in foreign currencies could result in translation losses.
Most of the revenue and expenses of our foreign subsidiaries are denominated in local currencies. Given the relatively long sales cycle that is typical for many of our products and that a substantial portion of our revenue is generated outside of the U.S., foreign currency fluctuations could result in substantial changes due to the foreign currency impact upon translation of these transactions into U.S. dollars.

In the normal course of business, we employ various strategies to manage these risks, including the use of derivative instruments. To the extent that these strategies do not manage all of the risks inherent in our foreign exchange exposures or that these strategies may cause our earnings and expenses to fluctuate more than they would have had these strategies not been employed, fluctuations of the exchange rates of foreign currencies against the U.S. dollar could materially adversely affect our business, financial condition, operating results and cash flow.

Our stock price is subject to significant fluctuations.
Our stock price is subject to significant fluctuations in reaction to variations in quarterly operating and financial results, the gain or loss of significant license agreements, changes in our public forecasts of operating and financial results, changes in investment analysts estimates of our operating and financial results, announcements related to accounting issues, announcements of technological innovations or new products by us or our competitors, changes in domestic and international economic and business conditions, general conditions in the software and computer industries and other events or factors. In addition, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries that are similar or related to those in which we operate and that have been unrelated to the operating performance of these companies. These market fluctuations have from time to time in the past adversely affected and may continue to adversely affect the market price of our common stock, which in turn could adversely affect the value of our stock-based compensation and our ability to retain and attract key employees, which could materially adversely affect our business, financial condition, operating results and cash flow.

Any failure by us to execute our restructuring plans and related sales model changes successfully could result in total costs that are greater than expected or revenues that are less than anticipated.
We have announced restructuring plans, which include workforce reductions as well as global facility consolidations and other cost reduction initiatives. We may have further workforce reductions or restructuring actions in the future. Risks associated with these actions and other workforce management issues include delays in implementation of anticipated workforce reductions, changes in restructuring plans that increase or decrease the number of employees affected, decreases in employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business, which could materially adversely affect our financial condition, operating results and cash flow.

During fiscal 2008, our restructuring efforts in Asia focused on shifting our sales model in certain smaller countries from a direct sales force model to an indirect, partner-led model. We may implement this strategy in other regions in the future. Risks associated with this business model shift include the potential inability of our partners to sell our products effectively and to provide adequate implementation services and product support. A greater reliance on partners will also subject us to further third party risks associated with business practices in those regions.

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We have outsourced various functions to third parties and these arrangements may not be successful, thereby resulting in increased costs or may negatively impact service levels.
We have outsourced various functions to third parties and may outsource additional functions to third-party providers in the future. We rely on those third parties to provide services on a timely and effective basis. Although we closely monitor the performance of these third parties and maintain contingency plans in case the third parties are unable to perform as agreed, we do not ultimately control the performance of our outsourcing partners. The failure of third-party outsourcing partners to perform as expected or as required by contract could result in significant disruptions and costs to our operations, which could materially adversely affect our business, financial condition, operating results and cash flow and our ability to file our financial statements with the Securities and Exchange Commission timely or accurately.

Potential tax liabilities may materially adversely affect our results.
We are subject to income taxes in the United States and in numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from that which is reflected in our income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, a material adverse effect could result on our income tax provision, net income and cash flow in the period or periods in which that determination is made.

ITEM 2. PROPERTIES.

Our principal real estate properties are located in areas necessary to meet sales and operating requirements. All of the properties are considered to be both suitable and adequate to meet current and anticipated operating requirements.

As of March 31, 2008, we leased 77 facilities throughout the United States and 126 facilities outside the United States. Our lease obligations expire on various dates with the longest commitment extending to 2023. We believe all of our leases will be renewable at market terms at our option as they become due.

We own one facility in Germany totaling approximately 100,000 square feet, two facilities in Italy which total approximately 140,000 square feet, one facility in India totaling approximately 255,000 square feet and an approximately 215,000 square foot European headquarters in the United Kingdom.

We periodically review the benefits of owning our properties. On occasion, we enter into sale-leaseback transactions and use the proceeds to fund strategic actions such as acquisitions, product development, or common stock repurchases. Depending upon the strategic importance of a particular location and management s long-term plans, the duration of the initial lease term in sale-leaseback transactions may vary.

We own and lease various computer, telecommunications, electronic, and transportation equipment. We also lease mainframe and distributed computers at our facilities in Islandia, New York, and Lisle, Illinois. This equipment is used for internal product development, technical support efforts, and administrative purposes. We consider our computer and other equipment to be adequate for our current and anticipated needs. Refer to Contractual Obligations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Note 8, Commitments and Contingencies, in the Notes to the Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS.

On April 9, 2007, we filed a complaint in the United States District Court for the Eastern District of New York against Rocket Software, Inc. (Rocket). On August 1, 2007, we filed an amended complaint alleging that Rocket stole intellectual property associated with a number of our key database management software products. The amended complaint includes causes of action for copyright infringement, misappropriation of trade secrets, unfair competition, and unjust enrichment/restitution. In the amended complaint, CA seeks damages of at least $200 million for Rocket s alleged theft and misappropriation of CA s intellectual property, as well as an injunction preventing Rocket from continuing to distribute the database management software products at issue. On November 14, 2007, Rocket filed a Motion to Dismiss the Amended Complaint. As of January 10, 2008, this motion was fully briefed and awaiting a decision by the Court. The parties have also begun fact discovery, which is currently set to close on June 30, 2008. On April 9, 2008, we submitted a motion for a preliminary injunction, which was predicated upon newly-discovered evidence of literal copying of certain portions of CA s source code by Rocket. That motion is scheduled for oral argument on May 29, 2008. We can make no prediction as to the outcome of this litigation including with respect to amounts to be awarded if we prevail.

Refer to Note 8, Commitments and Contingencies, in the Notes to the Consolidated Financial Statements for information regarding certain other legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

Executive Officers of the Registrant.
The name, age, present position, and business experience of our executive officers for the past five years as of May 23, 2008 are listed below:

John A. Swainson, 53, has been Chief Executive Officer of the Company since February 2005 and a member of the Company s Board of Directors since November 2004. Mr. Swainson joined the Company in November 2004. From November 2004 to March 2008, he also served as the Company s President. From July to November 2004, Mr. Swainson was Vice President of Worldwide Sales and Marketing of the Software Group at International Business Machines Corporation (IBM), a manufacturer of information processing products and a technology, software, and networking systems manufacturer and developer. From 1997 to July 2004, he was General Manager of the Application Integration and Middleware division of IBM s Software Group.

Michael J. Christenson, 49, has been President of the Company since March 2008 and Chief Operating Officer since April 2006. Mr. Christenson joined the Company in 2005. From February 2005 to April 2006, Mr. Christenson served as the Company s Executive Vice President of Strategy and Business Development. He retired in 2004 from Citigroup Global Markets, Inc. after a 23-year career as an investment banker, where he was responsible for that company s Global Private Equity Investment Banking, North American Regional Investment Banking, and Latin American Investment Banking.

Russell M. Artzt, 61, co-founded the Company in June 1976. He has been Vice Chairman and Founder of the Company since April 2007, playing an instrumental role in the evolution of the Company s EITM vision. Mr. Artzt also provides counsel in the areas of strategic partnerships, product development leadership, and corporate strategy. Mr. Artzt was the Company s Executive Vice President of Products from January 2004 to April 2007 and he was Executive Vice President, eTrust® Solutions from April 2002 to January 2004.

James E. Bryant, 63, has been Executive Vice President and Chief Administrative Officer of the Company since June 2006, when he joined the Company. He is responsible for the Company s information technology, facilities and administration, corporate transformation, and planning functions. From 2005 to June 2006, Mr. Bryant was a member of Common Angels, a Boston-based investment group that provides funding and mentoring for high technology start-ups. From 2003 to June 2006, he was a Selectman for the Town of Hamilton, Massachusetts. From 1994 to 2002, Mr. Bryant served as Vice President of Finance in IBM s Software Group.

Nancy E. Cooper, 54, has been Executive Vice President and Chief Financial Officer of the Company since she joined the Company in August 2006. From December 2001 to August 2006, she served as Senior Vice President and Chief Financial Officer of IMS Health Incorporated, a provider of information solutions to the pharmaceutical and healthcare industries. Ms. Cooper began her career at IBM, where she held positions of increasing responsibility over a 22-year period including Chief Financial Officer of the Global Industries Division, Assistant Corporate Controller, and Controller and Treasurer of IBM Credit Corporation.

Andrew Goodman, 49, has been Executive Vice President, Worldwide Human Resources of the Company since July 2005. Mr. Goodman joined the Company in July 2002. From July 2002 to July 2005, he served as Senior Vice President of Human Resources.

Ajei S. Gopal, 46, has been Executive Vice President, EITM Group since January 2008. Dr. Gopal has overall responsibility for the Company s strategic EITM initiative, including Service Management, Infrastructure Management, Application Performance Management, Workload Automation, Security Management, and Recovery Management. He joined the Company in July 2006. From July 2006 to May 2007, he served as Senior Vice President and General Manager, Enterprise Systems Management Business Unit. From May 2007 to January 2008 he served as Executive Vice President and General Manager of the Management Business Unit and Security Business Unit. Dr. Gopal was with Symantec Corporation, a provider of infrastructure software, from September 2004 to July 2006, where he served most recently as Executive Vice President and Chief Technology Officer, and earlier as Senior Vice President, Global Technology and Corporate Development. From June 2001 to June 2004, Dr. Gopal was with ReefEdge Networks, a provider of wireless LAN systems, a company he co-founded, where he served on the Board of Directors and held several executive roles.

Kenneth V. Handal, 59, has been Executive Vice President, Global Risk & Compliance, since February 2007, Chief Compliance Officer since November 2007, and Corporate Secretary since April 2005. He is responsible for the Company s corporate governance and compliance programs and the internal audit, internal controls and global security functions. Mr. Handal joined the Company in July 2004. From September 2006 to February 2007, he served as Executive Vice President and Co-General Counsel, and from July 2004 to September 2006, he was Executive Vice President and General Counsel of the Company. From July 1996 to July 2004, Mr. Handal was Associate General Counsel for the Altria Group, Inc., which included Philip Morris and Kraft Foods.

Jacob Lamm, 43, has been the Company s Executive Vice President, Governance Group since January 2008. He is responsible for business units focused on delivering solutions that help organizations effectively govern all areas of operations, including IT Governance, Project & Portfolio Management, Records Management, Risk and Compliance Management, and New Product Development. Mr. Lamm joined the Company in 1998 with the acquisition of Professional Help Desk, where he was co-founder and served as executive vice president and chief technology officer. From March 2007 until January 2008, he served as the Company s Executive Vice President and General Manager, Business Service Optimization Business Unit. From April 2005 through March 2007, he served as Senior Vice President, General Manager and Business Unit Executive. From October 2003 through April 2005, he served as Senior Vice President, Development. From February 2000 through October 2003, he served as a Senior Vice President.

Alan F. Nugent, 53, has been Executive Vice President and Chief Technology Officer of the Company since June 2006. Mr. Nugent joined the Company in April 2005. From April 2005 to June 2006, he served as Senior Vice President and General Manager, Enterprise Systems Management Business Unit. From March 2002 to April 2005, he served as Senior Vice President and Chief Technology Officer of Novell, Inc., an infrastructure software and services company.

Amy Fliegelman Olli, 44, has been Executive Vice President and General Counsel of the Company since February 2007. Ms. Olli joined the Company in September 2006. From September 2006 to February 2007, she served as Executive Vice President and Co-General Counsel of the Company. Before September 2006, Ms. Olli spent nearly 20 years in various senior-level legal positions with divisions of IBM, most recently as General Counsel Americas and Global Coordinator for Sales and Distribution for IBM, where she was responsible for a team of more than 200 lawyers in the U.S., Europe, Latin America and Canada, and for coordination of all of IBM s sales and distribution lawyers on a global basis.

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Part II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

During fiscal 2008 and through April 27, 2008, our common stock was traded on the New York Stock Exchange under the symbol CA. On April 28, 2008, we commenced trading on The NASDAQ Global Select Market tier of The NASDAQ Stock Market LLC under the same symbol. The following table sets forth, for the fiscal quarters indicated, the quarterly high and low closing sales prices on the New York Stock Exchange:

	FISCAL 2008		FISCAL 2007	
	HIGH	LOW	HIGH	LOW
Fourth Quarter	$ 26.31	$ 21.26	$ 27.21	$ 23.32
Third Quarter	$ 27.18	$ 24.15	$ 25.28	$ 21.50
Second Quarter	$ 26.68	$ 23.41	$ 24.28	$ 19.10
First Quarter	$ 28.21	$ 25.39	$ 27.19	$ 20.55

On March 31, 2008, the closing price for our common stock on the New York Stock Exchange was $22.50. As of March 31, 2008 we had approximately 9,700 stockholders of record.

We have paid cash dividends each year since July 1990. For fiscal 2008, 2007 and 2006, we paid annual cash dividends of $0.16 per share, which have been paid out in quarterly installments of $0.04 per share as and when declared by the Board of Directors.

Purchases of Equity Securities by the Issuer
On June 29, 2006, our Board of Directors authorized a plan to repurchase up to $2 billion in shares of common stock. This plan replaced the prior $600 million common stock repurchase plan.

On August 15, 2006, we announced the commencement of a $1 billion tender offer to repurchase outstanding common stock, at a price not less than $22.50 and not greater than $24.50 per share. On September 14, 2006, the expiration date of the tender offer, we accepted for purchase 41.2 million shares of common stock at a purchase price of $24.00 per share, for a total price of $989 million, which excludes bank, legal and other associated charges. Upon completion of the tender offer, we retired all of the shares that were repurchased.

On May 23, 2007, we announced that as part of our previously authorized share repurchase plan of up to $2 billion, we would repurchase up to $500 million of our shares under an Accelerated Share Repurchase program.

On June 20, 2007, we paid $500 million to repurchase shares of our common stock and received 16.9 million shares from a third-party financial institution at inception of the Accelerated Share Repurchase program. On November 21, 2007, we concluded the Accelerated Share Repurchase program. Based on the terms of the agreement between us and the third-party financial institution, we received 3.0 million additional shares of our common stock at the conclusion of the program in November 2007 at no additional cost. The average price paid under the Accelerated Share Repurchase program was $25.13 per share and total shares repurchased was 19.9 million.

The remaining authority under the previously authorized plan to repurchase up to $2 billion in shares of common stock has expired. Any potential future repurchases will be considered by us in the normal course of business.

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ITEM 6. SELECTED FINANCIAL DATA.

The information set forth below should be read in conjunction with the Results of Operations section included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

Statement of Operations Data

	YEAR ENDED MARCH 31,				
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	2008	2007	2006	2005	2004
Revenue	$ 4,277	$ 3,943	$ 3,772	$ 3,583	$ 3,306
Income (loss) from continuing operations[1]	500	121	160	27	(89)
Basic income (loss) from continuing operations per share	0.97	0.22	0.28	0.05	(0.15)
Diluted income (loss) from continuing operations per share	0.93	0.22	0.27	0.05	(0.15)
Dividends declared per common share	0.16	0.16	0.16	0.08	0.08

Balance Sheet and Other Data

	MARCH 31,				
(IN MILLIONS)	2008	2007	2006	2005	2004
Cash provided by continuing operating activities	$ 1,103	$ 1,068	$ 1,380	$ 1,527	$ 1,279
Working capital surplus (deficit)[2]	190	(51)	(462)	199	676
Working capital, excluding deferred revenue[2,3]	2,854	2,332	1,694	2,243	2,542
Total assets[2,4]	11,756	11,517	11,118	11,726	11,278
Long-term debt (less current maturities)	2,221	2,572	1,813	1,810	2,298
Stockholders equity[4]	3,709	3,654	4,718	5,034	4,921

1 In fiscal 2008, we incurred after-tax charges of $74 million for restructuring and other costs.

In fiscal 2007, we incurred after-tax charges of $124 million for restructuring and other costs and $6 million for write-offs of in-process research and development costs due to our recent acquisitions.

In fiscal 2006, we incurred after-tax charges of $54 million for restructuring and other costs and an after-tax benefit of $5 million relating to the gain on the divestiture of assets that were contributed during the formation of Ingres Corp. We also incurred an after-tax charge of $18 million for write-offs of in-process research and development costs due to our recent acquisitions.

In fiscal 2005, we incurred an after-tax charge of $144 million related to the shareholder litigation and government investigation settlements, a tax expense charge of $55 million related to the planned repatriation of $500 million in cash under the American Jobs Creation Act of 2004, and an after-tax charge of $17 million for severance and other expenses in connection with a restructuring plan.

2

Certain prior year balances have been reclassified to conform with the current year s presentation. Refer to the Reclassifications section in Note 1, Significant Accounting Policies, in the Notes to the Consolidated Financial Statements for additional information.

3 Deferred revenue includes all amounts billed or collected in advance of revenue recognition from all sources including subscription license agreements, maintenance, and professional services. It does not include unearned revenue on future installments not yet billed as of the respective balance sheet dates.

4 In the fourth quarter of fiscal 2008, the Company identified approximately $36 million of tax-related errors, $10 million of which pertained to current taxes payable for fiscal 2005 and $26 million of which pertained to noncurrent deferred tax assets for periods prior to fiscal 2005. Accordingly, the Consolidated Balance Sheet as of March 31, 2007 presented in this Form 10-K and the Stockholders equity line in this table for fiscal 2007, 2006, 2005, and 2004 have been adjusted to reflect the corresponding reduction in Retained earnings in Stockholders equity. The correction of these errors does not affect the Consolidated Statements of Operations or the Statements of Cash Flows contained in this Form 10-K and these corrections were not considered material to prior period financial statements.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Introduction
This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide an understanding of our financial condition, change in financial condition, cash flow, liquidity and results of operations. This MD&A should be read in conjunction with our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements appearing elsewhere in this Report. References in this MD&A to fiscal 2008, fiscal 2007, fiscal 2006 and fiscal 2005, etc. are to our fiscal years ended on March 31, 2008, 2007, 2006 and 2005, etc., respectively.

Business Overview
We are the world s leading independent information technology (IT) management software company, helping organizations use IT to better perform, compete, innovate and grow. We help customers govern, manage and secure their entire IT operation all of the people, information, processes, systems, networks, applications and databases from a Web service to the mainframe, regardless of the hardware or software they are using.

We license our products worldwide, principally to large IT service providers, financial services companies, governmental agencies, retailers, manufacturers, educational institutions, and healthcare institutions. These customers typically maintain IT infrastructures that are both complex and central to their objectives for operational excellence.

We offer our software products and solutions directly to our customers through our direct sales force and indirectly through global systems integrators, value-added partners, original equipment manufacturers, and distribution partners.

CA s Business Model
As described in greater detail in Part I, Item 1, Business , we license our software products directly to customers as well as through distributors, resellers and value-added resellers. We generate revenue from the following sources: license fees licensing our products on a right-to-use basis; maintenance fees providing customer technical support and product enhancements; and service fees providing professional services such as product implementation, consulting and education. The timing and amount of fees recognized as revenue during a reporting period are determined in accordance with generally accepted accounting principles in the United States of America (GAAP).

Under our business model, we offer customers a wide range of licensing options, including the flexibility to license software under month-to-month licenses or to fix their costs by committing to longer-term agreements. Licenses sold for most of our software products permit customers to change their software product mix as their business and technology needs change, which includes the right to receive software products in the future within defined product lines for no additional fee, commonly referred to as unspecified future software products. In such instances, we do not have vendor-specific objective evidence (VSOE) for the fair value of the undelivered elements, and we are therefore required under GAAP to recognize revenue from such license agreements evenly on a monthly basis (also known as ratably) over the license term.

Under our business model, a relatively small percentage of our revenue is recognized on a perpetual or up-front basis once all revenue recognition criteria are met in accordance with Statement of Position 97-2 *Software Revenue Recognition* (SOP 97-2) (see Critical Accounting Policies and Estimates below for details). In such cases, these products are not sold with the right to receive unspecified future software products and VSOE has been established for maintenance. We expect to continue to offer these types of licensing arrangements; therefore, the amount of revenue we expect to recognize on an up-front basis may increase to the extent that such license agreements are not executed within a short time frame of other agreements with the same customer or in contemplation of other license agreements with the same customer for which the right exists to receive unspecified future software products.

Some contracts executed prior to October 2000 (the prior business model) remain in effect and have not been renewed under license arrangements that contain the right to receive unspecific future software products. Under those agreements, and as is common practice in the software industry, we did not offer our customers the right to receive unspecified future software products and we were required under GAAP to record the present value of the license agreement as revenue at the time the license agreement was signed. As these customer license agreements are renewed under our current licensing model, we expect to see an increase in deferred subscription value related to these licenses, from which subscription revenue will be amortized in future periods. Total deferred subscription value is also expected to increase as we transition acquired company contracts to our business model, sell additional products and capacity to existing customers, and enter into new contracts with new customers. The favorable impact on subscription revenue from the conversion of contracts from our prior business model to our business model is decreasing over time as the transition is completed. The remaining balance of unbilled installment receivables that were previously recognized as revenue under our prior business model was $0.40 billion and $0.50 billion as of March 31, 2008 and March 31, 2007, respectively.

Under our license agreements, customers generally make installment payments for the right to use our software products over the term of the associated software license agreement. While the timing of revenue recognition is affected by the offering of unspecified future software products, it generally has not changed the timing of how we bill and collect cash from customers and as a result, our cash generated from operations has generally not been affected by the offering of unspecified future software products.

Significant Business Events

Acquisitions and Divestitures

In November 2006, we sold our interest in Benit for $3 million.

In September 2006, we acquired Cendura Corporation a privately held provider of IT service management and application service delivery solutions.

In July 2006, we acquired XOsoft, Inc. (XOsoft), a privately held company that provided continuous application availability solutions that minimize application downtime and accelerate time to recovery.

In June 2006, we acquired MDY Group International, Inc., a provider of enterprise records management software and services.

In May 2006, we acquired Cybermation Inc., a privately held provider of enterprise workload automation solutions.

In March 2006, we acquired the common stock of Wily Technology, Inc., a provider of enterprise application management solutions.

In December 2005, we acquired Control F-1 Corporation, a privately held provider of support automation solutions that automatically prevent, detect and repair end-user computer problems before they disrupt critical IT services.

In December 2005, we sold our wholly-owned subsidiary MultiGen-Paradigm, Inc. (MultiGen). MultiGen was a provider of real-time, end-to-end 3D solutions for visualizations, simulations and training applications used for both civilian and governmental purposes.

In November 2005, we announced an agreement with Garnett & Helfrich Capital, a private equity firm, to create an independent corporate entity, Ingres Corporation. We divested our Ingres® open source database unit into Ingres Corporation, of which Garnett & Helfrich Capital is the majority shareholder and we hold a minority position.

In October 2005, we acquired iLumin Software Services, Inc., a privately held provider of enterprise message management and archiving software.

In July 2005, we acquired Niku Corporation (Niku), a provider of information technology management and governance solutions.

In June 2005, we acquired Concord Communications, Inc. (Concord), a provider of network service management software solutions.

Performance Indicators

Management uses several quantitative performance indicators to assess our financial results and condition. Each provides a measurement of the performance of our business model and how well we are executing our plan.

Our predominantly subscription-based business model is unique among our competitors in the software industry and it may be difficult to compare our results for many of our performance indicators with those of our competitors. The

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following is a summary of the principal quantitative performance indicators that management uses to review performance:

	YEAR ENDED MARCH 31,			
(DOLLARS IN MILLIONS)	2008	2007	CHANGE	PERCENT CHANGE
Total revenue	$ 4,277	$ 3,943	$ 334	8%
Subscription and maintenance revenue	$ 3,762	$ 3,458	$ 304	9%
New deferred subscription value (direct)[1]	$ 3,723	$ 3,107	$ 616	20%
New deferred subscription value (indirect)	$ 135	$ 183	$ (48)	(26)%
Weighted average license agreement duration in years (direct)	3.22	3.29	(0.07)	(2)%
Cash provided by operating activities	$ 1,103	$ 1,068	$ 35	3%
Income from continuing operations, net of taxes	$ 500	$ 121	$ 379	313%

	MARCH 31,			
(DOLLARS IN MILLIONS)	2008	2007	CHANGE	PERCENT CHANGE
Cash, cash equivalents and marketable securities[2]	$ 2,796	$ 2,280	$ 516	23%
Total debt	$ 2,582	$ 2,583	$ (1)	%
Total expected future cash collections from committed contracts[3]	$ 4,362	$ 4,180	$ 182	4%
Revenue to be recognized in next 12 months from committed contracts[3]	$ 3,478	$ 3,080	$ 398	13%
Revenue to be recognized beyond next 12 months from committed contracts[3]	$ 3,380	$ 3,075	$ 305	10%
Total Revenue Backlog	$ 6,858	$ 6,155	$ 703	11%

1 Includes results for our one-tier channel business.

2 For March 31, 2008 and March 31, 2007, marketable securities were $1 million and $5 million, respectively.

3 Refer to the discussion in the Liquidity and Capital Resources section of this MD&A for additional information on expected future cash collections from committed contracts, billing backlog and revenue backlog.

Analyses of our performance indicators, including general trends, can be found in the Results of Operations and Liquidity and Capital Resources sections of this MD&A. The performance indicators discussed below are those that we believe are unique because of our subscription-based business model.

Subscription and Maintenance Revenue Subscription and maintenance revenue is the amount of revenue recognized ratably during the reporting period from either: (i) subscription license agreements that were in effect during the period, which generally include maintenance that is bundled with and not separately identifiable from software usage fees or product sales, or (ii) maintenance agreements associated with providing customer technical support and access to software fixes and upgrades which are separately identifiable from software usage fees or product sales.

New Deferred Subscription Value New deferred subscription value is the aggregate incremental amount we expect to collect from our customers over the terms of the underlying subscription license agreements entered into during a reporting period. These amounts relate to the sale of products, by distributors, resellers and value-added resellers to end-users, where the contracts incorporate the right for end-users to receive unspecified future software products. These amounts are recognized ratably as subscription revenue over the applicable software license terms. New deferred subscription value typically excludes the value associated with certain perpetual based licenses, maintenance-only license agreements, license-only indirect sales, and professional services arrangements.

The license agreements that contribute to new deferred subscription value represent binding payment commitments by customers over periods generally up to three years, although in certain cases customer commitments can be for longer periods. The amount of new deferred subscription value recorded in a period is affected by the volume and amount of contracts renewed during that period. Typically, our new deferred subscription value increases in each consecutive quarter during a fiscal year, with the first quarter being the weakest and the fourth quarter being the strongest. However, as we make efforts to improve the balance of the distribution of our contract renewals throughout the fiscal year, new deferred subscription value may not always follow the pattern of increasing in consecutive quarters during a fiscal year, and the quarter to quarter differences in new deferred subscription value may be more moderate. Additionally, changes in new deferred subscription value, relative to previous periods, do not necessarily correlate to changes in billings or cash receipts, relative to previous periods. The contribution to current period revenue from new deferred subscription value from any single license agreement is relatively small, since revenue is recognized ratably over the applicable license agreement term.

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Weighted Average License Agreement Duration in Years The weighted average license agreement duration in years for our direct business reflects the duration of all software licenses executed during a period, weighted to reflect the contract value of each individual software license. The weighted average duration is affected by the number and dollar amounts of contracts signed during the period, and therefore may change from period to period and will not necessarily correlate to the prior year periods. If the weighted average life of our subscription license agreements remains constant, an increase in deferred subscription value will ultimately result in an increase in subscription revenue in future periods.

Annualized new deferred subscription value represents the annual amount of new deferred subscription value to be recognized as subscription revenue from our direct business in future years based on the weighted average duration of the underlying contracts. It is calculated by dividing the total value of all new term-based software license agreements entered into during a period in our direct business by the weighted average life of all such license agreements recorded during the same period. The annualized new deferred subscription value measures the revenue to be realized on an annual basis from the contracts signed.

Total Revenue Backlog Total revenue backlog represents the aggregate amount the Company expects to recognize as revenue in the future as either subscription and maintenance revenue or professional services revenue associated with contractually committed amounts billed or to be billed as of the balance sheet date. Total revenue backlog is comprised of amounts recognized as a liability in our consolidated balance sheets as deferred revenue billed or collected as well as unearned amounts associated with balances yet to be billed under subscription, maintenance and professional service agreements. Amounts are classified as current or non-current depending on when they are expected to be earned and therefore recognized as revenue. We refer to the portion of total revenue backlog that relates to subscription and maintenance licenses as deferred subscription value. Deferred subscription value is recognized as revenue evenly on a monthly basis over the duration of the underlying license agreements and is reported as Subscription and maintenance revenue line in our Consolidated Statements of Operations.

Deferred revenue billed or collected is comprised of: (i) amounts received in advance of revenue recognition from the customer, (ii) amounts billed but not collected for which revenue has not yet been earned, and (iii) amounts received in advance of revenue recognition from financial institutions where the Company has transferred its interest in committed installments (referred to as financing obligations in the Notes to the Consolidated Financial Statements).

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Results of Operations

The following table presents revenue and expense line items reported in our Consolidated Statements of Operations for fiscal 2008, 2007 and 2006 and the period-over-period dollar and percentage changes for those line items. Dollar amounts are expressed in millions. Certain prior year balances have been reclassified to conform to the current period s presentation. For further information, see Note 1, Significant Accounting Policies, in the Notes to the Consolidated Financial Statements.

(DOLLARS IN MILLIONS)	YEAR ENDED MARCH 31, 2008	2007	2006	DOLLAR CHANGE 2008/2007	PERCENT CHANGE 2008/2007	DOLLAR CHANGE 2007/2006	PERCENT CHANGE 2007/2006
Revenue:							
Subscription and maintenance revenue	$ 3,762	$ 3,458	$ 3,252	$ 304	9%	$ 206	6%
Professional services	383	351	315	32	9	36	11
Software fees and other	132	134	205	(2)	(1)	(71)	(35)
Total revenue	$ 4,277	$ 3,943	$ 3,772	$ 334	8%	$ 171	5%
Expenses:							
Costs of licensing and maintenance	$ 267	$ 244	$ 236	$ 23	9%	$ 8	3%
Cost of professional services	350	326	263	24	7	63	24
Amortization of capitalized software costs	117	354	449	(237)	(67)	(95)	(21)
Selling and marketing	1,258	1,269	1,327	(11)	(1)	(58)	(4)
General and administrative	632	646	547	(14)	(2)	99	18
Product development and enhancements	516	544	559	(28)	(5)	(15)	(3)
Depreciation and amortization of other intangible assets	156	148	134	8	5	14	10
Other expenses (gains), net	6	(13)	(15)	19	(146)	2	(13)
Restructuring and other	121	201	88	(80)	(40)	113	128
Charge for in-process research and development costs		10	18	(10)	(100)	(8)	(44)
Total expenses before interest and income taxes	3,423	3,729	3,606	(306)	(8)	123	3
Income from continuing operations before interest and income taxes	854	214	166	640	299	48	29
Interest expense, net	46	60	41	(14)	(23)	19	46
Income from continuing operations before income taxes	808	154	125	654	425	29	23
Income tax expense (benefit)	308	33	(35)	275	833	68	(194)
Income from continuing operations	$ 500	$ 121	$ 160	$ 379	313%	$ (39)	(24)%

Note amounts may not add to their respective totals due to rounding.

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The following table sets forth, for the fiscal years indicated, the percentage that the items in the accompanying Consolidated Statements of Operations bear to total revenue.

	PERCENTAGE OF TOTAL REVENUE FOR THE YEAR ENDED MARCH 31,		
	2008	2007	2006
Revenue:			
Subscription and maintenance revenue	88%	88%	86%
Professional services	9	9	8
Software fees and other	3	3	6
Total revenue	100%	100%	100%
Expenses:			
Costs of licensing and maintenance	6%	6%	6%
Cost of professional services	8	8	7
Amortization of capitalized software costs	3	9	12
Selling and marketing	29	32	35
General and administrative	15	16	15
Product development and enhancements	12	14	15
Depreciation and amortization of other intangible assets	4	4	4
Other expenses (gains), net			
Restructuring and other	3	5	2
Charge for in-process research and development costs			
Total expenses before interest and taxes	80%	95%	96%
Income from continuing operations before interest and income taxes	20	5	4
Interest expense, net	1%	2%	1%
Income from continuing operations before income taxes	19	4	3
Income tax expense (benefit)	7	1	(1)
Income from continuing operations	12	3	4

Revenue

Total revenue was favorably affected by foreign exchange of $165 million for fiscal 2008 compared with fiscal 2007 and $74 million for fiscal 2007 compared with fiscal 2006.

Subscription and Maintenance Revenue

Subscription and maintenance revenue is the amount of revenue recognized ratably during the reporting period from either: (i) subscription license agreements that were in effect during the period, which generally include maintenance that is bundled with and not separately identifiable from software usage fees or product sales, or (ii) maintenance agreements associated with providing customer technical support and access to software fixes and upgrades which are separately identifiable from software usage fees or product sales.

For fiscal 2008, subscription and maintenance revenue associated with sales made directly to our end-user customers, which we define as our direct business, was $3.36 billion compared with $3.16 billion for fiscal 2007. Sales made through our channel partners, which we define as our indirect business, contributed $403 million to subscription and maintenance revenue compared with $299 million in fiscal 2007, principally due to items reclassified between direct and indirect business revenues, as well as favorable impacts from foreign exchange and growth relating to contracts executed in the prior periods.

For fiscal 2008, we added new deferred subscription value related to our direct business of $3.72 billion compared with $3.11 billion for fiscal 2007. The increase in new deferred subscription value in our direct business was primarily attributable to the growth in sales of new products and services, continued improvement in the management of contract renewals, an increase in the number and dollar amounts of large contracts during the fiscal year and foreign exchange. During fiscal 2008, we renewed 61 license agreements with contract values in excess of $10 million each, for an aggregate contract value of $1.40 billion. This is compared with fiscal 2007, when 42 license agreements were executed with contract values in excess of $10 million each, for an aggregate contract value of $1.14 billion.

Sales made directly to our end-user customers contributed $3.16 billion to subscription and maintenance revenue in fiscal 2007 compared with $3.04 billion in fiscal 2006. The increase was primarily due to growth in new deferred subscription value from the sale of solutions in the areas of infrastructure management, business service optimization and security management led by the sale of acquired products partially offset by the reclassification of $46 million of subscription revenue related to value added resellers that were reclassified to the indirect business in fiscal 2007. Sales made through our channel partners contributed $299 million to subscription and maintenance revenue compared with $207 million in fiscal 2006, principally due to an increase of $49 million associated with acquisitions completed prior to March 31, 2006 and the inclusion of the aforementioned reclassification of $46 million of subscription revenue related to value added resellers.

During fiscal 2007, we added new deferred subscription value related to our direct business of $3.11 billion, compared with $2.61 billion in fiscal 2006. The increase in new deferred subscription value in our direct business was primarily attributable to the growth in sales of new products and services, an improved process for the management of contract renewals, the benefits achieved from the realignment of our sales force earlier in the year, and an increase in the number, length and dollar amounts of large contracts during the fiscal year, which resulted in an increase in the weighted average contract length. During fiscal 2007, we renewed 42 license agreements with contract values in excess of $10 million each, for an aggregate contract value of $1.14 billion. This is compared with fiscal 2006, when 49 license agreements were executed with contract values in excess of $10 million each, for an aggregate contract value of $861 million. With respect to our indirect business, for fiscal 2007, we added new deferred subscription value of $183 million, compared with $195 million for fiscal 2006.

The weighted average duration of license agreements executed in fiscal 2008, 2007 and 2006 for our direct business was 3.22, 3.29 and 3.03 years, respectively. The annual fluctuations were attributable to the changes in the number and amounts of contracts executed with varying contract terms. During fiscal 2008, there were 48 contracts with durations of five years or longer, representing $579 million of new deferred subscription value. In comparison, during fiscal 2007 and 2006, there were 21 and 11 contracts, respectively, with durations of five years or